

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to reflect Committee AM2131.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)					
EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	137,300	0	0	137,300
FY2027-2028	0	136,300	0	0	136,300
FY2028-2029	0	140,300	0	0	140,300
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	892,000	0	0	892,000
FY2027-2028	0	1,204,000	0	0	1,204,000
FY2028-2029	0	1,190,000	0	0	1,190,000

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB815 as amended by AM2131 would remove §66-726(2)(e) as of October 1, 2026, thereby eliminating the \$0.0125 per gallon Agricultural Alcohol Fuel Tax (AAFTF) on non-road motor fuel refunds for gasoline & gasoline/ethanol blends. The bill establishes a new tax under §66-489(7)(b) to start October 1, 2026. This new excise tax on dyed diesel fuel would be of \$0.0025 per gallon. The revenue from this new dyed diesel fuel tax would be collected by the State Treasurer to be credited as follows: the first \$140,000 of taxes each fiscal year shall go to the Nebraska Department of Revenue’s (NDOR’s) Motor Fuel Tax Enforcement and Collection Cash Fund, and the remaining balance credited to the Nebraska Ethanol Board’s (NEB) Agricultural Alcohol Fuel Tax Fund.

This bill removes the current excise tax of \$0.003 per gallon on dyed diesel fuel as defined in Nebraska §66-482, which remits to the Nebraska Department of Water, Energy, and Environment’s (DWEE’s) Petroleum Release Remedial Action Fund (PRF). Instead, the excise tax on regular undyed diesel fuel is increased to \$0.006 per gallon, from it’s current \$0.003 per gallon, which remits to the Petroleum Release Remedial Action Fund.

LB815 AM2131 modifies the makeup of the Nebraska Ethanol Board under Nebraska §66-1335, by adding 2 additional ethanol producer seats to the Nebraska Ethanol Board, thus making the board a 9-member board versus a 7-member board. Under §66-1331, the definition of an ethanol producer is added to mean a person who devotes 50% or more of their professional time to ethanol production or business operations at an ethanol facility in Nebraska. Beginning Sept. 1, 2026, this bill replaces 1 of the existing business seats into an ethanol producer seat; resulting in 3 ethanol producer seats on the board. Additionally, this bill removes obsolete verbiage and strengthens the promotion of ethanol and ethanol-derived products.

This bill would be effective three calendar months after the adjournment of the Legislature, with some portions of the bill operative on October 1, 2026.

Expenditures:

NDOR has indicated this bill would require the agency to hire one FTE IT Supervisor for implementation of this bill. The estimated salary and benefits, and capital outlay would be as follows: \$132,300 Cash Funds in FY2026-27, \$136,300 Cash Funds in FY2027-28, and \$140,300 Cash Funds in FY2028-29. The associated PSL included in these figures would be: \$99,500 in FY2026-27, \$102,500 in FY2027-28, and \$105,500 in FY2028-29.

Revenues:

NDOR is anticipating LB815 as amended would bring in additional revenues as follows:

- Revenue increases of \$140,000 Cash Funds in FY2026-27, \$140,000 Cash Funds in FY2027-28, and \$140,000 Cash Funds in FY2028-29 to the NDOR Motor Fuel Tax Enforcement and Collection Cash Fund;
- Revenue increases of \$553,000 Cash Funds in FY2026-27, \$877,000 Cash Funds in FY2027-28, and \$854,000 Cash Funds in FY2028-29 to the NEB Agricultural Alcohol Fuel Tax Fund; and
- Revenue increases of \$117,000 Cash Funds in FY2026-27, \$184,000 Cash Funds in FY2027-28, and \$193,000 Cash Funds in FY2028-29 to the DWEE Petroleum Release Remedial Action Fund.

NEB has indicated they are expecting a net revenue gain of:

- \$775,000 Cash Funds in FY2026-27 and \$1,020,000 Cash Funds in FY2027-28 to the NEB Agricultural Alcohol Fuel Tax Fund.

The NEB calculations include a revenue loss of the expected non-road motor fuel refund revenue amounts each year. The NEB utilized publicly available Nebraska dyed diesel fuel consumption data that was analyzed by their Board. Given current dyed diesel usage trends in Nebraska, forecasted consumption in FY 2026-27 of the fuel is approximately 440 million gallons (Mgal), and forecasted consumption in FY 2027-28 is approximately 420 Mgal. This is the basis the NEB used to estimate their fiscal impact. Additionally, the NEB estimated that due to the bill’s effective date of October 2026, which is already ¼ into the fiscal year, the remaining ¾ of FY 2026-27, would be equivalent to 315 Mgal of dyed diesel usage. Finally, the NEB has estimated

that the change to the PRF dyed diesel revenue via a simple like-for-like tax shift onto undyed (on-road) diesel, would be essentially a wash, and have no fiscal impact.

The LFO is utilizing a combination of the NDOR and NEB estimations. First, we would anticipate an increase in revenue to the DWEE Petroleum Release Remedial Action Fund from removing the current excise tax of \$0.003 per gallon on dyed diesel fuel and replacing it with an additional \$0.003 per gallon tax on undyed diesel fuel (bringing that total tax to \$0.006 on undyed diesel fuel). Using the Monthly Reported Motor Fuels Taxable Gallons reported by NDOR, the amount of undyed diesel fuel sold in Nebraska is approximately 10% higher than the volume of dyed diesel fuel sold. Thus, we would anticipate an increase in revenue to the DWEE Petroleum Release Remedial Action Fund. Additionally, the LFO is utilizing the Nebraska Ethanol Board's forecast of dyed diesel usage trends in Nebraska to make it's estimation of fiscal impact for the years provided by the NEB. Both the NEB and NDOR provided fairly close numbers, with the NEB's being slightly higher. Understanding the trends, should be an area of expertise for the NEB as they are directly involved with this on a daily basis. Hence, the LFO is estimating the following fiscal impact as a result of this bill:

LFO's Estimated Revenue Increases from LB815 AM213	FY2026-27	FY2027-28	FY2028-29
NDOR Motor Fuel Tax Enforcement & Collection Cash Fund	\$140,000	\$140,000	\$140,000
NEB Agricultural Alcohol Fuel Tax Fund	\$635,000	\$880,000	\$857,000
DWEE Petroleum Release Remedial Action Cash Fund	\$117,000	\$184,000	\$193,000
Total Increase in Revenues	\$892,000	\$1,204,000	\$1,190,000

The Nebraska Department of Water, Energy, and Environment noted no fiscal impact from this bill. However, the LFO would note that DWEE will have an increase in revenue as a result of this bill.

The Nebraska Department of Agriculture does not anticipate a fiscal impact from this bill.

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2026

LB⁽¹⁾ 815 AM2131

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Agriculture

Prepared by: ⁽³⁾ Kevin Shearman Date Prepared: ⁽⁴⁾ 3/3/2026 Phone: ⁽⁵⁾ 402-580-1451

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2026-27</u>		<u>FY 2027-28</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27</u>	<u>2027-28</u>
	<u>26-27</u>	<u>27-28</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2026

LB⁽¹⁾ LB815 AM2131

FISCAL NOTE

State Agency OR Political Subdivision
Name: ⁽²⁾

Department of Water, Energy, and Environment

Prepared by: ⁽³⁾ Isabella Peterson

Date Prepared: 03/24/2026
⁽⁴⁾

Phone: ⁽⁵⁾ 402-560-2017

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2026-27</u>		<u>FY 2027-28</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Explanation of Estimate:

No fiscal impact.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27 EXPENDITURES</u>	<u>2027-28 EXPENDITURES</u>
	<u>26-27</u>	<u>27-28</u>		
Benefits.....				
...				
Operating.....				
....				
Travel.....				
.				
Capital outlay.....				
Aid.....				
.				
Capital improvements.....				
TOTAL.....				

Please complete ALL (5) blanks in the first three lines.

2026

LB⁽¹⁾ 815

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Ethanol Board

Prepared by: ⁽³⁾ Ben Rhodes Date Prepared: ⁽⁴⁾ 3-3-26 Phone: ⁽⁵⁾ 402-471-2941

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2026-27</u>		<u>FY 2027-28</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	\$775,000	_____	\$1,020,000
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	\$775,000	=====	\$1,020,000

Explanation of Estimate:

The update for AM2131 to LB815 follows this original fiscal note explanation.

LB815 modernizes the mission, structure, and funding of the Nebraska Ethanol Board (NEB). The mission component simply updates archaic verbiage and reaffirms the NEB’s commitment to expanding the renewable fuels industry both now and for years to come. The structure component adds three new ethanol producer seats to the board’s makeup, giving the industry official representation on the board. Thus, neither the mission nor structure changes included in LB815 will cause any fiscal impact.

The funding modernization portion of the bill, however, is expected to generate a fiscal impact to the NEB’s revenues. To understand this impact and the changes LB815 makes, it is necessary to know how the NEB is currently funded. The NEB is currently funded through two revenue streams that together compose the Agricultural Alcohol Fuel Tax Fund (AAFTF), the NEB’s cash fund. Note that the NEB does not and has not for decades collected nor utilized any general funds, and LB815 does not change that. All changes in LB815 exclusively affect cash funds.

The first revenue stream to the AAFTF is a 1.25 cents/gallon transfer on non-road motor fuel refunds. Individuals who purchase motor fuel (gasoline and gasoline/ethanol blends, not diesel) at retail for offroad use—these users are by and large agricultural stakeholders—may apply for a refund on the on-road taxes assessed at the point of sale. Of those refunds the AAFTF is transferred 1.25 cents/gallon. This mechanism has funded the NEB since the very early days in the 1970s, and was the majority of the AAFTF for 35 years. Today, this revenue stream is only a small percentage of the total AAFTF yearly revenues. This is due to declined usage of motor fuel off-road as farmers have shifted to using diesel-powered farm equipment.

LB815 repeals this mechanism entirely. As the NEB tracks each dollar in revenue from this mechanism, it is simple to estimate the fiscal impact of repealing it. Over the last ten fiscal years, AAFTF revenue from non-road motor fuel refund transfers has averaged approximately \$20,000 per fiscal year. As LB815 repeals this mechanism, with an effective date of October 1, 2026, the NEB will collect \$15,000 less than otherwise in revenue in FY 2026-2027 and \$20,000 less than otherwise in FY 2027-2028 (and indeed, all subsequent fiscal years). The \$15,000 in FY 2026-2027 is simply calculated from the bill becoming effective one-quarter into the fiscal year, so three-quarters of the fiscal year’s revenue from this mechanism will not be collected, and ¾ * \$20,000 = \$15,000.

The second revenue stream to the AAFTF is a 1.25 cents/gallon excise tax on denaturant—any of several chemicals used to render ethanol unfit for human consumption—as well as the same fee assessed on 2% of undenatured gallons. This funding mechanism is left completely unchanged by LB815, so there is no fiscal

impact in this regard.

LB815 does implement a new fee as an additional revenue stream, to replace the repealed non-road motor fuel refund transfer and ease the inflationary pressure caused by that long-declined revenue source. This new fee, which will remit to the AAFTF, is expected to generate a fiscal impact. The details of the new fee are as follows. Currently, dyed diesel in Nebraska (used for off-road purposes by agriculture producers and other stakeholders) is assessed a \$0.003/gal (three-tenths of a cent per gallon, or three-thousandths of a dollar per gallon) tax that remits to the petroleum release remedial action fund (PRF). LB815 removes this current \$0.003/gal fee that remits to the PRF and replaces it with a \$0.0025/gal (one-quarter of a cent per gallon) fee on dyed diesel that remits to the AAFTF.

The revenue impact from this portion of the bill was calculated using publicly available Nebraska dyed diesel fuel consumption data that was analyzed by the NEB. Given current dyed diesel usage trends in Nebraska, forecasted consumption in FY 2026-27 of the fuel is approximately 440 million gallons (Mgal), and forecasted consumption in FY 2027-28 is approximately 420 Mgal. Thus, LB815 is expected to generate a fiscal impact of approximately \$790,000 in FY 2026-27 and approximately \$1,040,000 in FY 2027-28. The lower figure for FY 2026-27 is due to the bill's effective date not occurring until October 2026 rather than the start of the fiscal year in July 2026. The bill would then be effective for three-quarters of FY 2026-27 (approximately 315 Mgal of dyed diesel usage) and then the entire FY 2027-28.

The last portion of the funding mechanism change is a refill of the PRF dyed diesel revenue via a simple like-for-like tax shift onto undyed (on-road) diesel. The PRF is currently funding by an equal \$0.003/gal fee on both dyed and undyed diesel. With the dyed diesel PRF funding removed, to maintain a healthy and essentially equivalent PRF balance, the undyed diesel fee will become \$0.006/gal. Critically, dyed diesel and undyed diesel consumption in Nebraska is quite similar, within a few percentage points each year on average (around 500,000 gallons of each per year). So taxing half the gallons twice as much leaves the PRF at essentially the same level as previously, and therefore, no fiscal impact is expected from this part of the bill.

In summary, the expected fiscal impact from LB815 for FY 2026-27 is the \$790,000 increase in dyed diesel revenues to the AAFTF minus the \$15,000 decrease in non-road motor fuel refund transfer revenues, for a net fiscal impact of \$775,000 relative to the expected AAFTF revenue in FY 2025-26. The expected fiscal impact from LB815 for FY 2027-28 is the \$1,040,000 increase in dyed diesel revenues to the AAFTF minus the \$20,000 decrease in non-road motor fuel refund transfer revenues, for a net fiscal impact of \$1,020,000 relative to the expected AAFTF revenue in FY 2025-26.

Update to include AM2131: AM2131 does not affect any of the above—it makes a definition change with no anticipated fiscal impact, and does not amend the language related to the AAFTF funding mechanisms as originally written in LB815. Thus, the expected AAFTF revenues calculated above using the original LB815 language are the same as expected under AM2131.

The NEB would like to note, however, that AM2131 was drafted explicitly in conjunction with the Dept. of Revenue to eliminate their expected fiscal expenditures as claimed in the original fiscal note for LB815. That original fiscal note anticipates ~\$140,000 in annual Dept. of Revenue general fund expenditures due to LB815. AM2131 amends LB815 by directing the first \$140,000 collected under the new funding mechanism each fiscal year to the Motor Fuel Tax Enforcement and Collection Cash Fund administered by the Dept. of Revenue (with the remainder then going to the AAFTF), to fully mitigate the \$140,000 in new Dept. of Revenue expenditures.

So while the NEB's revenues as calculated above and as espoused in the original LB815 fiscal note are unchanged due to AM2131, the \$140,000 in Dept. of Revenue expenditures included in the original bill's fiscal note—which comprise the entirety of the new expenditures expected from the bill—should be reduced to \$0 in the revised fiscal note that includes in its consideration the provisions of AM2131.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27</u>	<u>2027-28</u>
	<u>26-27</u>	<u>27-28</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 815	AM: 2131	AGENCY/POLT. SUB: Department of Agriculture
REVIEWED BY: Taten Raml	DATE: 3/5/2026	PHONE: (531) 310-4102
COMMENTS: Concur with the Department of Agriculture's assessment of no fiscal impact from LB815 AM 213		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 815	AM: 2131	AGENCY/POLT. SUB: Nebraska Ethanol Board
REVIEWED BY: Taten Raml	DATE: 3/4/2026	PHONE: (531) 310-4102
COMMENTS: The Nebraska Ethanol Board's assessment of fiscal impact from LB 815 AM 2131 appears reasonable using the assumptions provided.		

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 815	AM: 2131	AGENCY/POLT. SUB: Department of Water, Energy, and Environment
REVIEWED BY: Taten Raml	DATE: 3/25/2026	PHONE: (531) 310-4102
COMMENTS: Concur with the Department of Water, Energy, and Environment's assessment of no fiscal impact from LB815 AM 2131.		